

# HOUSE BILL No. 1571

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 21-16-4.5.

**Synopsis:** Student loan terms and conditions. Provides that the following apply to a student loan, including a refinancing or consolidation of an existing student loan, that is made to an Indiana student after June 30, 2009: (1) The loan documents for the loan may not provide for, and the lender not charge the borrower, a prepayment fee or penalty. (2) In the case of an adjustable rate loan, the first interest rate adjustment may not occur or be scheduled to occur on a date that is earlier than seven years after the loan is issued or closed. Provides that a person that knowingly or intentionally violates one of these provisions commits a deceptive act that is actionable by the attorney general. Provides that the state student assistance commission (commission), in consultation with the department of financial institutions, may adopt rules to provide guidance to: (1) student loan lenders; and (2) Indiana students and their parents or legal guardians; concerning the rights created and duties imposed by these provisions. Provides that the attorney general: (1) shall act as legal counsel to the commission in the administration and enforcement of these provisions; and (2) may, upon the attorney general's own motion or upon receiving a complaint or request from certain specified persons, conduct an investigation to determine if a violation of these provisions has occurred.

**Effective:** July 1, 2009.

**Riecken**

January 16, 2009, read first time and referred to Committee on Financial Institutions.

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Introduced

First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

## HOUSE BILL No. 1571

A BILL FOR AN ACT to amend the Indiana Code concerning higher education.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 21-16-4.5 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2009]:

4 **Chapter 4.5. Student Loan Terms and Conditions**

5 **Sec. 1. This chapter applies to:**

6 (1) a student loan, including a loan insured or guaranteed  
7 under a federal or state program, to the extent allowed under  
8 applicable state or federal law; or

9 (2) the consolidation or refinancing of an existing student  
10 loan, including a loan insured or guaranteed under a federal  
11 or state program, to the extent allowed under applicable state  
12 or federal law;

13 that is issued or closed after June 30, 2009.

14 **Sec. 2. As used in this chapter, "adjustable rate student loan"**  
15 **means a student loan with an interest rate that is subject to change**  
16 **at one (1) or more times during the term of the loan.**

17 **Sec. 3. As used in this chapter, "borrower", with respect to a**

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student loan, means any individual described in section 6(1) or 6(2) of this chapter in whose name a student loan is issued.

Sec. 4. As used in this chapter, "Indiana student" means a United States citizen or an alien who is admitted into the United States for lawful, permanent residence and who is:

(1) an Indiana resident who attends an Indiana postsecondary educational institution or a non-Indiana postsecondary educational institution; or

(2) a non-Indiana resident who attends an Indiana postsecondary education institution.

Sec. 5. As used in this chapter, "lender" means a person that:

(1) issues or refinances a student loan; or

(2) consolidates two (2) or more student loans.

Sec. 6. As used in this chapter, "student loan" means a loan that is made to:

(1) an Indiana student described in section 4(1) of this chapter, or to one (1) or both parents or the legal guardian of the Indiana student, for the purpose of allowing the Indiana student to attend an Indiana postsecondary educational institution or a non-Indiana postsecondary educational institution; or

(2) an Indiana student described in section 4(2) of this chapter, or to one (1) or both parents or the legal guardian of the Indiana student, for the purpose of allowing the Indiana student to attend an Indiana postsecondary educational institution.

Sec. 7. The loan documents for a student loan may not provide for, and a lender in a student loan may not charge the borrower, a prepayment fee or penalty.

Sec. 8. The first interest rate adjustment with respect to an adjustable rate student loan may not:

(1) be scheduled to occur; or

(2) occur;

on a date that is earlier than seven (7) years after the adjustable rate student loan is issued or closed.

Sec. 9. A person that knowingly or intentionally violates this chapter commits an act that is:

(1) actionable by the attorney general under IC 24-5-0.5; and

(2) subject to the penalties listed in IC 24-5-0.5.

Sec. 10. (a) The commission, in consultation with the department of financial institutions, may adopt rules under IC 4-22-2 to:

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(1) provide guidance to:

(A) lenders of student loans that are subject to this chapter; and

(B) Indiana students and their parents or legal guardians; concerning the rights created and duties imposed by this chapter; and

(2) otherwise implement this chapter consistent with applicable state and federal law.

(b) The attorney general shall act as legal counsel to the commission in the administration and enforcement of this chapter. When the enforcement of this chapter requires legal action outside Indiana, the commission, upon the recommendation of the attorney general, may:

(1) employ private out-of-state counsel in connection with the matter; and

(2) expend the commission's own funds to pay for the legal services provided.

Sec. 11. (a) The attorney general may, upon the attorney general's own motion or upon receiving a complaint or request from:

(1) a borrower in a student loan;

(2) the commission;

(3) the corporation;

(3) the department of financial institutions; or

(4) any other state or federal regulatory agency that supervises or regulates a lender in a student loan subject to this chapter;

conduct an investigation to determine if a violation of this chapter has occurred, to the extent allowed under applicable state or federal law.

(b) In conducting an investigation under this section, the attorney general may:

(1) cooperate with any person or entity described in subsection (a); or

(2) refer a suspected violation of this chapter to any entity described in subsection (a)(2) through (a)(4) for appropriate action.

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